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Allbritton Offers \$28.5 Million for Star Holdings

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Joe L. Allbritton, publisher of The Washington Star, offered yesterday to pay \$28,553,600 for 100 per cent of Washington Star Communications, Inc., which owns the Star newspaper, WMAL-TV, WMAL-AM and WMAL-FM as well as broadcast outlets in Lynchburg, Va., and Charleston, S.C.

The tender offer, which came as a complete surprise to Star Communications directors and stockholders, appears to be a take-it-or-leave-it offer from Allbritton, who currently owns 10 per cent of the Star Communications stock.

To gain control of the corporation Allbritton would have to acquire 40.1 per cent of the outstanding stock in addition to the 10 per cent he already owns. He could do that by acquiring 7,139 shares at a total cost of \$11,422,500.

Asked what the alternatives were, should the offer not be accepted, Robert Nelson, Allbritton's closest business associate, said, "We'll cross that bridge when we come to it."

Allbritton, who has already invested \$5 million in Star Communications and loaned the Star newspaper \$5 million,

has the option of pulling out altogether. His original contract with Star Communications called for his eventual acquisition of 37.5 per cent of Star Communications stock in return for an additional \$16.2 million.

In recent months the Star newspaper has been losing money at the rate of a million dollars a month. Allbritton had taken the position that he needed the revenue from the radio and television stations to support the financially weak newspaper, so he asked the FCC for a waiver of its new rule forbidding cross-ownership of media in a single market.

Two weeks ago the FCC decided that it did not have sufficient information to make a ruling in the Star case and ordered full hearings, which could take as long as a year.

Allbritton concluded that he could not wait that long and placed four options before the Star board, according to a source close to Allbritton. He did not receive what he regarded as a satisfactory response, which led to yesterday's action, the source said.

Under the tender offer, which expires at 5 p.m. Aug. 27, Perpetual Corp., Inc., of Delaware, which is

wholly owned by Allbritton, would pay \$1,600 a share for the 17,846 shares of stock outstanding. There are 105 Star Communications stockholders.

Allbritton agreed to sell the Washington radio and television stations and two of the three stations in Lynchburg should the FCC require it. Industry sources placed a value of \$20 million to \$25 million on WMAL-TV, \$4 million to \$5 million on WMAL-AM and \$2 million to \$3 million on WMAL-FM.

Star Communications bought the Lynchburg television and radio station for \$2.5 million in 1965 and the Charleston television station for \$2.6 million in 1966.

In a press release yesterday afternoon Allbritton said:

"In its tender offer Perpetual stated that its representatives had explored with representatives of Star Communications alternative means by which Perpetual could obtain control of (Star) Communications or otherwise provide capital to the newspaper subsidiary, but it did not think such discussions had been fruitful.

"Perpetual stated that it did not believe further discussions were likely to be fruitful and that the uncertainty and delay of further discussion would be harmful to its efforts to preserve and further revitalize the Star."

John H. Kauffmann, a director of Star Communications, said he was surprised by the offer and was angered by the way it was announced. "The first I heard about it was on the six o'clock news on WMAL as I was driving home. . .," he said.

Although he said he didn't know how he would vote with the 1,277 shares of stock he controls, Kauffmann said he thought Allbritton should have first carried his offer to the Star board. "I didn't care much for that (announcement)," he said. "I don't think that was the decent way to do it."

Kauffmann said the discussions between the board and Allbritton had been "extremely amicable" and he was not going to press any disagreement over the way Allbritton announced his offer. "I think he was probably frustrated about what to do after the FCC ruling and thought this was the cleanest way out."

Rudolph Kauffmann, a stockholder, secretary of the corporation and a member of Star Communications' board of directors, said he had had no advance warning of the tender offer, "unless you call word from Allbritton's lawyers this afternoon advance notice."

Rudolph Kauffmann refused to comment on the substance of the offer, however, saying that he had not even had a chance to read it yet. Most Star stockholders will receive their copies in the mail in the next day or two.

Newbold Noyes Jr., director and former editor of the Star, said he knew

the tender offer was under consideration, but that he had not seen it and therefore could not comment on it.

Willmott Lewis Jr., a director and major stockholder, refused to comment in any way on the offer, as did Robert Cleveland, also a stockholder.

Other members of the Star ownership were not available for comment.

Allbritton, a multimillionaire banker and entrepreneur from Houston, bought into the Star last fall with the stated goal of keeping the financially ailing newspaper alive.

He made clear from the beginning

that he was not prepared to lose a lot of money on the Star. "If you can get the economics of this paper on an even keel," he said last spring in an interview with The Washington Post, "and if you can get the broadcast facilities on a consolidated basis, the whole thing could be an attractive financial package."

In an FCC hearing in January, at which John P. McGoff, a Michigan publisher, and others challenged Allbritton's attempt to win a waiver of the FCC rules, Allbritton said in defense of intentions to keep the Star alive:

"I have caused to be reviewed my financial condition and based on the review I state to you that the value of gross assets held by me and my wholly owned companies exceeds \$100 million.

McGoff, who has consistently sought to buy the Star newspapers, was characterized by Allbritton as a "rejected suitor."

But McGoff, who owns the Panax Corp. of Williamston, Mich., which publishes 45 newspapers, is known to still be interested in buying the newspaper.